



CALIFORNIA STATE AUDITOR

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NEWS RELEASE

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California State Auditor Presents Interim Reports on California's Administration of Recovery Act Funds

***Reports highlight accountability and transparency to ensure Federal funds are
spent properly***

SACRAMENTO, Calif. – November 23, 2009 – Today, the California State Auditor issues its first two of a series of interim reports scheduled regarding the State's administration of federal funds including those from the American Recovery and Reinvestment Act (Recovery Act). With California anticipating nearly \$85 billion in Recovery Act funds, in addition to over \$76 billion traditionally received each year, for both new and existing Federal programs, a key component of ensuring accountability and transparency is the California State Auditor's Office's annual audit of internal controls and compliance with federal laws and regulations.



“We are reporting the results of our annual audits early in the process to communicate the areas where the state can improve its administration of Recovery Act funds or to recognize instances where such funds were spent properly,” said Elaine Howle, California’s State Auditor.

In one of these first two interim reports, the State Auditor’s Office has identified several areas for improvement in the Department of Developmental Services’ administration of the Special Education – Grants for Infants and Families (Early Start) program and Special Education – Grants for Infants and Families, Recovery Act program. Some issues identified include that the department did not ensure it disbursed Recovery Act funds only to subrecipients that met federal contractor registration requirements and that it needs a better process to ensure it maintains a minimum level of non-federal spending for the Early Start Program.

In the other interim report released today, the State Auditor’s Office discusses the Department of Corrections and Rehabilitation’s administration of a portion of the State Fiscal Stabilization Fund Program – Government Services Stabilization Funds. The review found that Corrections spent its entire \$726.8 million award to reimburse the General Fund for payroll expenses incurred during May and June 2009 and the use of these funds was appropriate and consistent with the Recovery Act’s goals to preserve and create jobs and stabilizing state and local government budgets. However, Corrections may have overstated the number of jobs it retained using stabilization funds because it didn’t determine whether the positions reported were truly at risk of being eliminated without federal funding.

The California State Auditor will continue to examine ways in which the state can ensure it is maximizing federal stimulus funds. On December 1, 2009, the State Auditor plans on issuing an interim report on the Energy Commission's Administration of the State Energy Program. Other interim reports are scheduled to be released in December 2009 and January 2010. Because of the State Auditor's proactive approach for overseeing Recovery Act funds, the State Auditor was asked to participate in a federal pilot project for early reporting on audits of federal programs that receive Recovery Act funds.

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About the California State Auditor

The California State Auditor's office leads the way in providing truthful, balanced, and unbiased information to those looking for answers. In addition to conducting investigations, the State Auditor's Office is the State's independent external auditor and provides objective and nonpartisan assessments of California government's financial and operational activities in conformance with generally accepted government auditing standards.

The State Auditor's Office is committed to providing all information in an accurate, timely, and reliable manner to assure accountability of government programs. The State Auditor and her staff recognize that the citizens and the government rely on them to serve as their eyes and ears, to ensure effective and efficient administration and management of public funds and programs. For more information contact the California State Auditor's Office at (916) 445-0255 or visit <<<http://www.auditor.ca.gov>>>.